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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

December 29, 2009

Certified Return Receipt
7003 2260 0002 0247 8980

Steve Young
Black Desert Mining, LLC
1669 South 580 East
P.O. Box 66
American Fork, Utah 84003

Subject: Deficient Reclamation Surety, Black Desert Mining, Black Desert Mine, S/023/0088, Juab County, Utah

Dear Mr. Young:

The Division of Oil, Gas and Mining has reviewed the reclamation surety for the Black Desert Mine. This surety was due for review on March 7, 2009. Your current reclamation surety is \$18,400.00 which the Division is holding in the form of a letter of credit. The Division has recalculated the surety based on your permitted area of five acres to be:

\$24,600.00 escalated for 3 years (surety amount next reviewed in 2012) OR
\$25,200.00 escalated for 5 years (surety amount next reviewed in 2014)

The Division uses standard per-acre costs to determine surety amounts for small mines. The figures used are shown in the following table:

Project Size (Acres)	Surety 3 & 5 year escalation	Comments
1 or less acres	\$7,400 (3-year escalation) \$7,600 (5-year escalation)	Minimum amount required
Additional acres up to 5 acres	\$4,300/ acre (3-year escalation) \$4,400/acre (5-year escalation)	Partial acreages rounded up (e.g., 1.2 acres = 2 acres)
Cumulative Amount for 5-acres	(i.e. Maximum of 5 acres = \$7,400 + \$17,200 = \$24,600) (3-year escalation) (i.e. Maximum of 5 acres = \$7,600 + \$17,600 = \$25,200) (5-year escalation)	\$600.00 difference between 3 and 5 year escalation amount for 5-acres of disturbance.



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Based on the information in the NOI, the Division has determined that you must post additional surety in the amount of:

\$6200 for 3-year escalation OR
\$6800 for 5-year escalation

If the disturbed area shown in your Notice of Intention to Commence Small Mining Operations (NOI)—five acres—is substantially different than what is currently planned, you may wish to amend the notice to more accurately reflect your future intent. At such time as the Division receives and reviews an amended NOI, we will determine an appropriate reclamation cost based on the new information and notify you of any changes needed to your surety. Another option for reducing the reclamation liability and the surety requirement would be to reclaim a portion of the site.

If you decide to amend the NOI or to reclaim a portion of the site, please submit the amendment and a reclamation schedule no later than February 15, 2010. The amendment should be submitted using form MR-REV-SMO/EXP available on the Division's web site. If you choose not to amend the NOI we will expect the above stated amount to be filed with the Division no later than February 15, 2010.

In addition, the permit fees are delinquent for 2008 and 2009. The total amount due is \$300 (\$150 for each year). Approval to mine is suspended until the permit fees are paid, and you are subject to a cessation order if you mine while approval is suspended. Please submit the fee to the address shown on this letter.

Please contact surety coordinator, Penny Berry, 801-538-5291, for instructions on how to submit this increased surety. She can be reached at 801-538-5291 or by e-mail at bondcoordinator@utah.gov. If you have questions or concerns regarding this letter, please contact me at 801-538-5261 or Wayne Western at 801-538-5263. Thank you in advance for your cooperation.

Sincerely,



Paul Baker
Minerals Program Manager

PBB:jrp
cc: jerry_mansfield@blm.gov
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